DECLASSIFIED AND APPROVED FOR RELEASE BY THE CENTRAL INTELLIGENCE AGENCY DATE: 2001

TOP SECRET

DECLASSIFIED CLASS, CHANGED TO: TS S OZO

REVIEWER

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MR. CHAIRMANS

FIRST, I WANT TO EXPRESS MY SINCERE
APPRECIATION FOR THE SPECIAL CONSIDERATION
OU ARE GIVING ME AND MY AGENCY.

BEFORE MAKING FORMAL DESIRE TO LAST APPEARANCE CONGRESSIONAL COMMITTEE; "OFF THE RECORD." IT IS MY SINCERE TO SPEAK MOST FRANKLY TO YOU, DO SO "OFF THE RECORD 8 E INTEREST NATIONAL SECURITY. INTEND TO FOLLOW THIS PRESENTATION; THE FOUNDATION OF INTELLIGENCE GROUP AND SECOND, A BRIEF DISCUSSION OF

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MISSIONS; THIRD, A BROAD STATEMENT OF OUR BUDGETARY REQUIREMENTS; AND FOURTH, SOME EXAMPLES OF THE EFFECTIVENESS OF THE ORGANIZATION, OR IN OTHER WORDS, CONCRETE EVIDENCE OF THE VALUE THE GOVERNMENT HAS RECEIVED FOR MONIES EXPENDED DURING THE CURRENT FISCAL YEAR.

PRIOR TO WORLD WAR II THE WAR, NAVY, AND
STATE DEPARTMENTS EACH HAD A LIMITED NUMBER

OF PERSONNEL ENGAGED IN THE PRODUCTION OF

INTELLIGENCE. THERE WAS NO POSITIVE METHOD

BY WHICH THE PRODUCT OF THESE THREE DEPARTMENTS

COULD BE ASSEMBLED AND VIEWED AS A WHOLE. IN

EACH CASE THE INFORMATION FURNISHED WAS SLANTED

TOWARD THE NEEDS AND POLIDIES OF THE PARTICU-

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TO DEVOTE THEIR ENTIRE EFFORT TO AN INTELLI-GENCE CAREER. SPECIALIZATION USUALLY MEANT A REARCENR FOR THE INDIVIDUAL. THE DISASTER AT PEARL HARBOR AND THE INVESTIG GATIONS WHICH FOLLOWED PROVED CONCLUSIVELY THE INTELLIGENCE AVAILABLE TO THE VARIOUS AGENCIES OF GOVERNMENT MUST BE CENTRALIZED IF NATIONAL INTELLIGENCE IS TO BE PRODUCED FOR THE PRESIDENT AND THE POLICY-WAKING MEMBERS OF THE GOVERNMENT. IT FURTHER PROVED THAT THE INTELLIGENCE ACTIVITIES OF EACH DEPARTMENT MUST BE CAREFULLY CONTROLLED AND THE RESULTS OF THEIR ACTIVITIES CAREFULLY ANALYZED FROM AN OVER ALL NATIONAL VIEW POINT, RATHER THAN THE SPECIALIZED NEEDS OF THE DEPARTMENT.

LACKING CONGRESSIONAL DIRECTIVE TO PROVIDE
THIS CENTRALIZATION, ON 32 JANUARY 1946 THE
PRESIDENT, BY DIRECTIVE TO THE SECRETARIES OF

TOP SEEME

STATE, WAR, AND NAVY, CREATED THE NATIONAL SECRETARIES OF STATE, WAR, HAVY, A PERSONAL REPRESENTATIVE OF THE PRESIDENT, (IN THIS CASE ADMIRAL LEAHY, AND A DIRECTOR OF CENTRAL INTELLIGENCE TO SIT AS A NON-VOTING MEMBER, INTELLIGENCE GROUP UNDER A DIRECTOR OF CENTRAL INTELLIGENCE WHICH WOULD IMPLEMENT THE POLICIES THE PROPERTY OF THE PROPERTY O ESTABLISHED BY THE NATIONAL INTELLIGENCE THE AUTHORITY WAS DEVELOP, AND COORDINATE ALL FEDERAL FOREIGN INTELLIGENCE ACTIVITIES SO MOST EFFECTIVE ACCOMPLISHMENT OF GENCE MISSION RELATED TO THE NATIONAL SECURITY.

THE FIRST DIRECTOR OF CENTRAL INTELLIGEN ADMIRAL SIDNEY W. SOUERS, HEADED A GROUP OF SELECTED PERSONNEL DETAILED BY THE THREE

TOP SECRET

DEPARTMENTS TO STUDY THE PROBLEM POSED IN

CENTRALIZING THE INTELLIGENCE OF THIS GOVERN...

MENT. FROM JANUARY UNTIL LATE JUNE 1946, THIS

SMALL GROUP WAS ENGAGED IN PLANNING FOR THE

OPERATIONS TO BE UNDERTAKEN BY THE CENTRAL

INTELLIGENCE GROUP. I WAS DETAILED ON 10 JUNE

1946, TO REPLACE ADMIRAL SOUERS BECAUSE OF

HIS RETURN TO CIVIL LIFE. ON 8 JULY 1946

THE NATIONAL INTELLIGENCE AUTHORITY, BY WRITTEN

DIRECTIVE, GAVE ME THE FOLLOWING MISSIONS:

A. ACCOMPLISH THE CORRELATION AND EVALUATION OF INTELLIGENCE MELATING TO THE NATIONAL SECURITY, AND THE APPROPRIATE DISSEMINATION WITHIN THE GOVERNMENT OF THE RESULTING STRATEGIC AND NATIONAL POLICY INTELLIGENCE.

OF THE ACTIVITIES OF THE INTELLIGENCE

AGENCIES OF THE DEPARTMENTS OF STATE,

WAR, AND NAVY AS RELATE TO THE NATIONAL

SECURITY AND RECOMMEND TO THE NATIONAL

INTELLIGENCE AUTHORITY THE ESTABLISHMENT

OF SUCH OVER-ALL POLICIES AND OBJECTIVES

AS WILL INSURE THE MOST EFFECTIVE ACCOMP--
PLISHMENT OF THE NATIONAL INTELLIGENCE

MISSION.

- G. PERFORM FOR THE BENEFIT OF THE

 BEPARTMENTS SUCH SERVICES OF COMMON

 CONCERN AS CAN BE MORE EFFICIENTLY

 ACCOMPLISHED CENTRALLY.
 - Q. CONDUCT ALL ORGANIZED FEDERAL

 ESPIONAGE AND COUNTER-ESPIONAGE OPERATIONS

 OUTSIDE THE UNITED STATES AND ITS POSSES
 SIONS, FOR THE COLLECTION OF FOREIGN

 INTELLIGENCE INFORMATION REQUIRED FOR

 THE NATIONAL SECURITY.

- E. CONDUCT ALL FEDERAL MONITORING

 OF PRESS AND PROPAGANDA BROADCASTS OF

 FOREIGN POWERS REQUIRED FOR THE COLLECTION

 OF INTELLIGENCE INFORMATION RELATING TO

 THE NATIONAL SECURITY.
- E. UNDERTAKE SUCH RESEARCH AND ANALYSIS

 AS MAY BE NECESSARY TO DETERMINE WHAT

 FUNCTIONS IN THE FIELDS OF NATIONAL

 SECURITY INTELLIGENCE ARE NOT BEING

 PRESENTLY PERFORMED, AND TO FURTHER

 CENTRALIZE SUCH RESEARCH AND ANALYSIS

 ACTIVITIES AS MAY BE MORE EFFICIENTLY

 OR EFFECTIVELY ACCOMPLISHED CENTRALLY.

THE OPERATING EXPERIENCES OF THE PERIOD

JANUARY TO JULY 1946, INDICATED THE IMPRACTI
CABILITY OF DEPENDING UPON THE PERSONNEL AND

SERVICES FURNISHED BY THE VARIOUS DEPARTMENTS.



THEREFORE, ON 30 JULY 1946, THE THREE SECRET

TARIES, WITH THE CONSENT OF THE SECRETARY OF

THE TREASURY, ESTABLISHED A CENTRAL WORKING

FUND UNDER MY CONTROL TO BE UTILIZED IN THE

DIRECT HIRING OF PERSONNEL AND THE FURNISHING

OF SERVICES NECESSARY FOR THE EFFICIENT OPERATION OF THE GROUP. As A RESULT OF THIS ACTION,

FUNDS IN THE AMOUNT OF

WERE MADE AVAILABLE TO THE GROUP
FOR ITS OPERATION FOR THE REMAINDER OF THE
FISCAL YEAR 1947. THESE FUNDS WERE FURNISHED

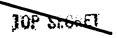
TAR

NAVY

STATE

(b)(4)

TO ACCOMPLISH THE MISSION ESSIGNED, I



THE OFFICE OF OPERATIONS AND THE OFFICE OF SPECIAL OPERATIONS TO PROVIDE FOR THE COLLEC-TION OF INTELLIGENCE BY THE EXISTING DEPARTMENTS OF GOVERNMENT, THE OFFICE OF REPORTS AND ESTIMATES TO FULFILL MISSION OF EVALUATION AND CORRELATION; THE OFFICE OF COLLECTION AND DISSEMINATION TO PROVIDE FOR THE COLLECTION OF INFORMATION FROM THE OTHER DEPARTMENTS AND THE PROPER DISSEMINAT TION OF THE INTELLIGENCE PRODUCED BY THE GROUP. THESE OFFICES PROVIDE FOR EXPLOITING ALL AVAILABLE FROM OTHER INTELLIGENCE AGENCIES, BOOKS, RADIO BROADCASTS, PUBLISHED DOCUMENTS, AND PERIODICALS, OR TION WHICH MUST BE OBTAINED BY CLANDESTINE MEAN: THE LATTER, GENTLEMEN, FRANKLY PLACES THE UNITED STATES FOR THE FIRST TIME

IN THE BUSINESS OF SPYING.

AMERICAN DOES NOT ACCEPT CLANDESTINE OPERATIONS
AS SEING COMPATIBLE WITH THE AMERICAN STANDARDS
OF FAIR PLAY. HOWEVER, IF YOU GENTLEMEN
SHOULD READ THE REPORT OF
THAT INDICATED A HONEY-COMBING OF

AGENTS OF AN ALLEGED FRIENDLY POWER, I FEEL

SURE NO QUESTION WILL BE RAISED BY YOU AS TO

THE NECESSITY OF PROVIDING SECURITY FOR OUR

COUNTRY. WE MUST KNOW AS FAR IN ADVANCE AS

POSSIBLE WHAT THE PLANS OF OUR POTENTIAL

ENEMIES ARE, WHAT THEIR ABILITIES MAY BE TO

WAGE WAR, AND WITH WHAT TECHNOLOGICAL DEVELOP—

MENTS THE NEXT STRUGGLE MAY BE RENDERED MORE

TERRISLE THAN THE USE OF ATOMIC ENERGY ON

DEFENSELESS CITIES OR BACTERIOLOGICAL WARFARE

AT ITS GREATEST DEVELOPMENT, THESE FACTS

CANNOT BE OBTAINED BY NORMAL OPEN METHODS OF

COLLECTION, THEY CANNOT BE HAD BERELY FOR THE

ASKING.

THIS BUDGET IS

MENTS OF STATE, WAR, AND THE NAVY. THIS

HIDING OF OUR FUNDS IS NOT ACCIDENTAL BUT A

DIRECT EFFORT ON THE PART OF THE GROUP TO

PREVENT AN ENEMY COUNTRY FROM GAINING KNOW!

LEDGE AS TO THE AMOUNT OF THE OVERALL FUNDS

AVAILABLE FOR OUR INTELLIGENCE ACTIVITIES:

THIS, GENTLEMEN, IS MOST NECESSARY SINCE THE

COST OF MAINTAINING AN AGENT IN ANY COUNTRY IS

A FAIRLY CONSTANT FIGURE. BY KNOWING THE TOTAL

AMOUNT OF MONEY AVAILABLE TO US RUSSIAN

INTELLIGENCE, THE NKVD, AND ITS COUNTERPARTS
IN OTHER COUNTRIES, GOULD WELL ESTIMATE THE
EFFECTIVENESS OF MY ORGANIZATION AND TAKE
SUCH COUNTER-MEASURES AS WERE DEEMED NECESSARY.

THIS.

ROUGHLY BROKEN INTO TWO MAJOR CLASSIFICATIONS

-- VOUCHERED FUNDS IN THE AMOUNT OF

AND UNVOUCHERED FUNDS IN THE

AMOUNT OF

THESE FUNDS

and the contract of the description of the second of the s

ARE PLACED WITHIN THE FOLLOWING PROJECTS:

DEPARIMENT OF STATE

APPROPRIATION - EMERGENCIES
ARISING IN THE DIPLOMATIC
AND CONSULAR SERVICE * ...

APPROPRIATION - "SALARIES AND EXPENSES FOREIGN SERVICE"



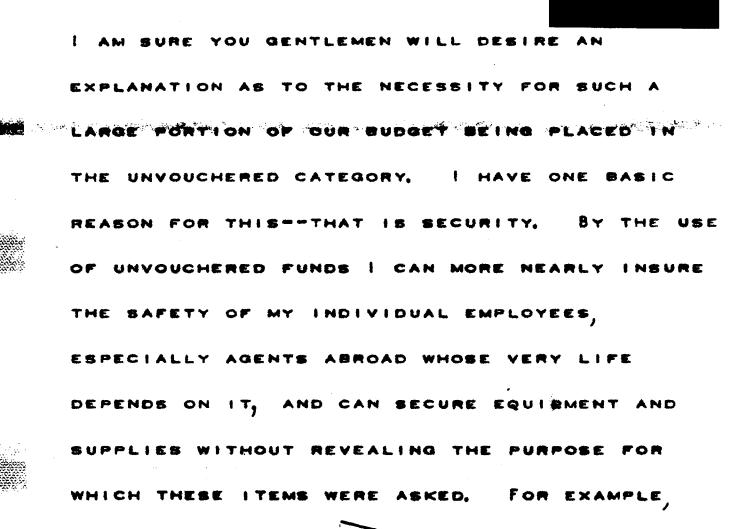


TAR DEPARTMENT (INCLUDING AIR FORCES)

"CONTINGENCIES OF THE

NAYY DEPARIMENT

APPROPRIATION "MAINTENANCE BUREAU
OF SHIPS"



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GENTLEMEN AN AVERAGE PAYROLL OF A FEDERAL ITS PROCESSING CAN BE SEEN MINIMUM OF THREE HUNDRED INDIVIDUALS, ANY ONE OF WHOM MIGHT BE AN ENEMY AGENT. | HAVE ESTABLISHED WITHIN MY ORGANIZATION THE SAME CONTROLS OVER EXPENDITURE OF FUNDS THAT ARE THE REQUIRED IN THE USE OF VOUCHERED FUNDS. SECURITY PACTOR IS MET BY THE CAREFUL CONTROL OF MY OWN EMPLOYEES. IT IS MY INTENTION THAT LANGE AND THE COLOR OF THE PROPERTY OF THE PRO A MAJOR PORTION OF THE UNVOUCHERED FUNDS BE EXPENDED OVERSEAS. AGAIN, BY THE USE OF THESE FUNDS, I CAN PROTECT TO A GREATER EXTENT THE OPERATIONS OF OUR AGENTS. THEREVER POSSIBLE IN THE CONTINENTAL UNITED STATES VOUCHERED FUNDS WILL BE USED TO THE SAME EXTENT AND UNDER THE SAME CONDITIONS THAT GOVERNMENT AGENCY EXPENDS ITS FUNDS. | MIGHT OUT, GENTLEMEN, THAT THIS IS IN DIRECT

CONTRAST TO THE FUNDS UTILIZED BY THE INTEL-LIGENCE AGENCIES OF THE FOREIGN POWERS, IN THE SECRET INTELLIGENCE ALL CASES, FOREIGN POWERS IS FINANCED WITH NO CHECKS EXCEPT THE TRUST OF THE COUNTRY INDIVIDUALS EMPLOYED BY THE INTELLIGENCE CONTROLS AND DEFENSES FOR EXPENDIT SERVICES. TURES ARE PRETICALLY LACKING. OUR VOUCHERED EXINDED RATIO OF APPROXIMATELY

FOR PERSONAL

SERVICES AND

FOR ALL OTHER PURPOSES.

THE DETAILS THESE APPROPRIATIONS ARE

AVAILABLE ANAVE BEEN CAREFULLY REVIEWED BY

SELECTED REPINTATIVES OF THE BUREAU OF THE

BUDGET. I WOLADLY ANSWER SUCH DETAILED

QUESTIONS AS MAY DESIRE AT THE END OF THIS

PRESENTATION.

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I FEEL, AND I KNOW THE NATIONAL INTELLIF

GENCE AUTHORITY FEELS, THAT WE HAVE ALREADY

MADE GREAT ADVANCES IN THE COORDINATION OF

INTERDEPARTMENTAL INTELLIGENCE, OUR MONITORING

OPERATIONS HAVE PROVIDED A SUPERIOR SERVICE TO

MANY GOVERNMENTAL AGENCIES, INCLUDING A SCOOP

OF TEN DAYS ON THE TEXT OF THE YUGOSLAV
ALBANIAN TREATY AND MANY DETAILS ON FOREIGN

EXPENDITURES FOR ATOMIC RESEARCH. WE HAVE

MADE GREAT STRIDES IN PLANNING FOR THE

EXPLOITATION OF INFORMATION OBTAINED FROM

ALL THESE MATTERS ! CAN ELABORATE ON TO THE EXTENT YOU DESIRE.

I ALBO WANT YOU TO KNOW SOMETHING OF OUR CLANDESTINE OPERATIONS, APPEALING IN THE INTERESTS OF SECURITY FOR YOUR DISCRETION.

(PRESENT BRIEF STORY OF \$0 OPERATION.)